

GAO

Report to the Honorable Jim Sasser
United States Senate

March 1986

SURPLUS PROPERTY

GSA's Sale of Land in Oak Ridge, Tennessee, Complied With Law



129341

General Government Division

B-221159

March 17, 1986

The Honorable Jim Sasser
United States Senate

Dear Senator Sasser:

By letter dated October 2, 1985, you requested that we look into the disposition of a parcel of surplus federal real property in Oak Ridge, Tennessee. The General Services Administration (GSA) sold the surplus property for \$300,000 at a public auction on September 24, 1985.

In response to your request, we reviewed GSA's case files on the Oak Ridge property and correspondence concerning the property between GSA and interested parties in Oak Ridge. We interviewed GSA officials in its central office responsible for surplus real property disposals. We also reviewed the laws, regulations, policies, and procedures which govern GSA's sale of surplus real property and developed the disposal history on this sale and compared it to the established policies and procedures for GSA's surplus property sales. Our work was performed in accordance with generally accepted government auditing standards.

In summary, based on the results of our review, we believe that GSA complied with applicable laws and regulations governing the disposal of surplus federal real property in its sale of the surplus property in Oak Ridge, Tennessee.

Background

Disposal of real property by GSA is governed by section 203 of the Federal Property and Administrative Services Act of 1949, as amended (40 U.S.C. 484). Under section 203(a)-(c) of the act (40 U.S.C. 484(a)-(c)), the Administrator of General Services is granted supervision and direction over disposition of surplus federal real property. Federal agencies report real property which they do not need to GSA as excess. GSA screens other federal agencies to determine if they have a need for the property. If no other federal need is identified, the property is determined surplus and made available for disposal.

Under the act, surplus properties are available for disposal by three methods:

- Public benefit conveyances to states and local governments and certain nonprofit institutions at discounts up to 100 percent of fair market value.¹
- Negotiated sales to states and local governments for public purposes at not less than fair market value.
- Competitive public sale at current market value.

The Administrator of General Services has delegated to the administrators of GSA's regional offices responsibility for the sale of most properties. The preferred methods of public sale are sealed bid and public auction for an all-cash price.

Before surplus property may be sold, however, GSA generally must determine its fair market value. Although GSA has employees that are qualified to make property appraisals, most appraisals are currently prepared for GSA by commercial real estate appraisers through competitive bid contracts. The resulting estimated fair market value is reviewed and, if approved by GSA's staff appraisers, becomes the minimum price for which the property is publicly offered for sale. If the highest bid is below 90 percent of estimated fair market value, the regional office may reject it. It may, however, accept the bid if the regional office obtains the prior approval of GSA's central office.

Disposition of the Oak Ridge Property

The property in Oak Ridge, Tennessee, consists of 12.5 acres of undeveloped vacant land traversed by a drainage ditch and underground utility lines and lies within the city limits of Oak Ridge. GSA's Atlanta Office of Public Buildings and Real Property (Planning Division) reported the property excess on July 30, 1982. The Disposal Division of Atlanta's Office of Public Buildings and Real Property accepted the excess report on September 27, 1982. From August 19, 1982, through September 19, 1982, GSA contacted other federal agencies to determine whether they had a need for the property. Since no federal agency expressed interest in the property, on November 30, 1982, GSA determined the property to be surplus to federal agency needs. Accordingly, GSA notified the State of Tennessee and local governments that the property was available for purchase on a negotiated sale basis at not less than fair market value. Both the State of Tennessee and the City of Oak Ridge expressed an interest in acquiring the site.

¹Fair market value is defined by GSA as "the price at which a willing seller would sell and a willing buyer would buy, neither being under abnormal pressure, assuming a reasonable time is allowed to find a purchaser, and both seller and buyer are fully informed."

On December 20, 1982, GSA advised the City of Oak Ridge that it was in the process of contracting for an appraisal of the property's fair market value, and after the appraisal had been completed, GSA would furnish the city with a sales price and negotiated sales procedures. GSA's Atlanta regional office awarded a contract to a local independent fee appraiser who, on February 17, 1983, provided his report to GSA estimating the highest fair market value of the property to be \$486,000 if sold in two separate parcels and used as office-type property.

Since both the City of Oak Ridge and the State of Tennessee expressed interest in acquiring the property, GSA sent each party a letter on March 3, 1983, asking them to resolve between themselves who would purchase the property. GSA further advised each of them that the organization selected to purchase the property should then forward a good-faith deposit of \$30,000 to GSA within 30 days. GSA told them that if a deposit was not received within the 30 days, it would proceed with public advertising and a sealed bid sale. On March 9, 1983, the State of Tennessee withdrew its interest in the property.

On March 10, 1983, the City of Oak Ridge advised GSA that "the Oak Ridge City Council voted unanimously on January 10, 1983, to endorse a proposal by Congresswoman Marilyn Lloyd for legislation that will reserve the 12-1/2 acres of property contiguous to the federal building site in Oak Ridge as a public park, with GSA to continue as the responsible agency. This represents the current position of the City." There was no evidence in the files we reviewed at GSA's central office that the City of Oak Ridge made a good-faith deposit as requested by the GSA letter of March 3, 1983. GSA officials in the Atlanta regional office also advised us that the City did not make a good-faith deposit for this property.

Thus, GSA scheduled a public auction sale for July 20, 1983. On July 18, 1983, the Oak Ridge City Council adopted an ordinance which rezoned the property from office to residential/ open space. The auction sale was held on July 20, 1983, and the high bid for the property was \$167,000. Because the high bid was significantly lower than the \$486,000 appraised fair market value, GSA rejected all bids.

During the period July 20, 1983, to November 5, 1984, GSA and the Department of Justice were considering alternative actions to restore the previous zoning of the property. On November 5, 1984, GSA's central office advised its Atlanta regional office that, since the Department

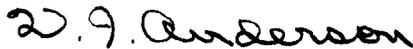
of Justice had elected not to proceed with any litigation, the region should proceed to offer the property again for public sale.

Accordingly, GSA's Atlanta regional office again awarded a contract to a local independent fee appraiser who provided an appraisal report to GSA dated May 13, 1985. This report, which was based on zoning as residential/open space showed the estimated fair market value to be \$318,500 if sold in two separate parcels.

GSA conducted a public auction on September 24, 1985, with four registered bidders. The high bid at this sale was \$300,000—94 percent of the estimated fair market value of \$318,500. GSA notified the high bidder of its acceptance of the bid on October 11, 1985.

As requested by your office, we did not request GSA to provide us its written comments on this report. However, a draft of this report was discussed with GSA officials responsible for the disposal of surplus real property, and they agreed with the accuracy of the information being provided. As arranged with your office, we are sending copies to the Administrator of General Services. Copies will also be available to other interested parties who request them.

Sincerely yours,



William J. Anderson
Director

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